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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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DENNIS B. FITZGIBBONS, CHIEF OF STAFF
GREGG A. ROTHCHILD, CHIEF COUNSEL

April 30, 2007

Mr. Robert A. Malone
Chairman and President
BP America, Inc.
200 Westlake Park Boulevard
Houston, TX 77079

Dear Mr. Malone:

BP recently provided documents to the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce that suggest a severe cost-cutting atmosphere existed between 2000 and 2005 in crude oil production operations at Prudhoe Bay. Last week, BP representatives met with Committee staff to discuss these documents and explain what impact budget cuts may have had on Prudhoe Bay's Corrosion, Inspection, and Chemicals Group (CIC), which was responsible for corrosion mitigation at BP Exploration (Alaska) Inc. BP's representatives also commented on whether these budget cuts were in any way associated with the recent failures that led to last year's shutdown of the Prudhoe Bay field.

The documents suggest that budget pressures were severe enough that some BP field managers were considering measures as draconian as reducing corrosion inhibitor to save money. BP provided e-mails that detail proposals to cut funding for corrosion inhibitor during at least two different years and in two different locations. These locations included the "produced water" lines that are highly susceptible to corrosion. If senior BP managers were willing to consider turning off inhibitor at these locations, it suggests a budgetary environment in which other corrosion management activities may have been eliminated or reduced to a degree that may have directly affected corrosion of the portions of the oil transit lines (OTL) that experienced leaks last year.

Similarly, the documents suggest that corrosion-monitoring efforts such as smart pigging, coupon pulling, and digging up road crossings for visual inspection, were either reduced, put on hold, or "squeezed" in some cases due to budget constraints. In other words, important action items related to health, safety, and the environment, were being delayed, or cut altogether, and

that this was related to tight budgets possibly in an effort to maintain “flat lifting costs.”

The documents provided to the Subcommittee confirm that people on the front lines of corrosion management believed that they were under extreme pressure, and they were attempting to do their best with what they had. As you prepare your testimony for the Subcommittee’s hearing regarding operations at Prudhoe Bay, we ask that you be prepared to discuss your understanding of the impact that budget had on the CIC Group and how this may have affected both employee morale and the integrity of the corrosion monitoring program, including the willingness to raise concerns regarding imprudent decisions. As long as BP lacks an understanding of the environment in which these individuals were working, we remain skeptical that effective policies can be implemented to prevent recurrences of these kinds of incidents.

In light of this recent information, we ask that you include in your written testimony responses to the following questions regarding the CIC group’s corrosion mitigation efforts:

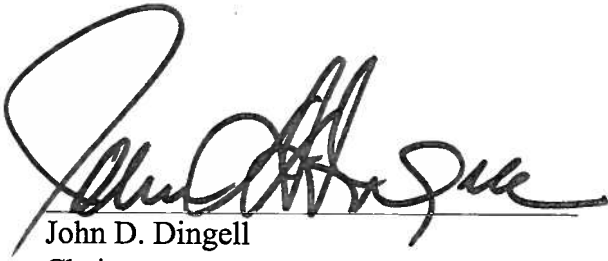
1. At any time from 2000 to 2005, did BP managers order corrosion inhibitor injection to be turned off, specifically to save money or stay within budget constraints? If so, where in the system did this occur, during which dates, and what potential impact did such actions have on the lines or systems when it was halted?
2. On April 15, 2004, an e-mail was sent to Messrs. Kip Sprague and Richard Woollam in the CIC Group (Bates number 7159) referring to a proposal to cancel corrosion inhibitor at “GC’s.” Assuming that this abbreviation refers to the Gathering Centers, where within the Gathering Centers was the halting of inhibitor being proposed (regardless of whether such action was ever taken)? In view of the changing composition of crude oil being produced at Prudhoe Bay, would reducing corrosion inhibitor at the Gathering Centers have any impact on “carry over” to the OTLs that leaked?
3. Provide all records related to any requests for smart pigging and maintenance pigging from any officials in the CIC Group for the years 2000 through 2005.
4. Provide all e-mails sent and received by the CIC Group involving reducing, suspending, or cutting back on corrosion inhibitor, or any general concerns regarding corrosion in the OTLs.

Mr. Robert A. Malone

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If you have any questions on this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Majority Committee staff at (202) 226-2424, or Dwight Cates with the Minority Committee staff at (202) 225-3641.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "John D. Dingell".

John D. Dingell
Chairman

A large, stylized handwritten signature in black ink, appearing to read "Bart Stupak".

Bart Stupak
Chairman
Subcommittee on Oversight and Investigations

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member
Subcommittee on Oversight and Investigations

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DENNIS B. FITZGIBBONS, CHIEF OF STAFF
GREGG A. ROTHCHILD, CHIEF COUNSEL

May 2, 2007

Mr. Robert A. Malone
Chairman and President
BP America, Inc.
200 Westlake Park Blvd.
Houston, TX 77079

Dear Mr. Malone:

We are in receipt of your April 30 letter (attached) requesting a postponement of the hearing scheduled for May 3, 2007, before the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce entitled "2006 Prudhoe Bay Shutdown: Will Recent Regulatory Changes and BP Management Reforms Prevent Future Failures?" This hearing had been planned for some time as a follow up to our September 7, 2006, hearing. It was intended to assess the adequacy of efforts BP and various regulators have taken to address the organizational and mechanical failures leading to the March 2, 2006, leak in the "Western Operating Area" transit line and the subsequent discovery of severe corrosion and leaking in the "Eastern Operating Area" transit line.

Your request for a postponement of the hearing is based upon your recent discovery that "information relevant to the September, 2006 hearing was not provided to the Subcommittee." In addition, this information was apparently neither disclosed to you nor Steve Marshall, the former President of BP Alaska, before your testimony at our September hearings. The discovery of this material has clearly raised questions about the adequacy of your response to the Committee, as well as previous spending decisions made by your company—concerns that you clearly acknowledge in your April 30 letter and that form the basis for your request for additional time to investigate both issues in more detail.

Despite numerous requests for such material, going back nearly a year, it was only on April 17, 2007, that BP provided the Committee with a number of BP documents which reveal important internal discussions suggesting a severe cost-cutting atmosphere existed in your crude oil production operations at Prudhoe Bay. On their face, this new material raises concerns that shortsighted cost-cutting may have led to the spills and corrosion problems in Alaska. Some of

the documents discuss stopping the injection of corrosion inhibitor to meet budget targets. Others suggest that other activities related to corrosion mitigation had to be reduced or put on hold due to budget constraints.

Equally troubling, these documents raise questions about the accuracy of Mr. Marshall's testimony when he suggested that "cost is not a consideration" as it relates to issues of both safety and integrity in Prudhoe Bay operations.

It is our understanding that significant redesign and rebuilding has already occurred on some of the key transit lines that failed last year. It is also our understanding that BP has made a number of management and personnel changes in Alaska, and that these efforts appear to be taking the company in a positive direction. We applaud your company for those undertakings. Nevertheless, to assess whether BP's new path forward will be successful, the Committee needs to explore whether the climate of top down cost-cutting affected the health, safety, or the environment of the Prudhoe Bay field and its workers. In order to make such a determination, we need you to respond to the questions raised by the newly discovered documents, as well as all previous requests for information made by this Committee.

As you know, in response to our receipt of the newly discovered documents, we forwarded to you another document request on April 30, 2007, which included: (1) documents that discuss whether BP managers ordered that corrosion inhibitor be turned off due to budgetary constraints; (2) answers to the question of if, when, and where corrosion inhibitor may have been turned off, and what consequences this may have had on program integrity; (3) records related to requests for smart pigging and maintenance pigging from officials in the Prudhoe Bay's Corrosion, Inspection, and Chemicals (CIC) Group from 2000-2005; and (4) e-mails sent or received by the CIC group related to reducing, suspending, or cutting back on corrosion inhibitor.

We are pleased that BP has promised to respond quickly to this request and accept BP's explanation that it needs "additional time to complete investigations and document searches, and to ensure the Subcommittee has all of the information it needs to complete its work."

Based upon your assurances that you need additional time to comply with our document requests and to be prepared to respond to the issues raised by the newly discovered internal BP documents, we have acquiesced to your request for a continuance and have rescheduled the hearing for 9:30 a.m. on Wednesday, May 16, 2007. At that hearing, we expect you and other BP officials to be prepared to address the following issues:

- BP's plan to rebuild and sustain the integrity of the oil pipeline system, including the Eastern Operating Area and Western Operating Area transit lines that failed and caused last year's shutdown. How is this effort progressing and what are the expected milestones for completion?

Mr. Robert A. Malone

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- Whether BP believes the environment of cost-cutting as apparently reflected in some of these documents affected the ability of workers to safely operate the Prudhoe Bay field and, in particular, ensure adequate corrosion control. To the extent BP believes these documents do suggest a climate where workers had to make difficult decisions between budget savings and program integrity, what steps does the company intend to take to prevent the reoccurrence of such an atmosphere?
- What role did top down cost-cutting play in both Texas City and Alaska? What changes is BP institutionalizing that would reflect the lessons learned from both Texas City and Alaska, as identified in the Baker Panel report, the Booz Allen Hamilton report, and the Chemical Safety Board Investigation report?
- How will BP ensure that there is no tolerance for retaliation against workers who may attempt to raise safety and health concerns? In addition, as new concerns arise, how will BP put in place a transparent mechanism to ensure they are resolved in a timely manner?

If you have any questions regarding this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Committee staff at (202) 226-2424.

Sincerely,



John D. Dingell
Chairman



Bart Stupak
Chairman
Subcommittee on Oversight and Investigations

Attachment

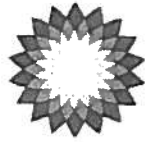
cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce



Robert A. Malone

Chairman & President



BP America Inc.
4101 Winfield Road
314 Q
Warrenville, IL 60555
USA

April 30, 2007

The Honorable Bart Stupak
Chairman
Oversight and Investigations
Committee on Energy and Commerce
2352 Rayburn House Office Building
Washington, DC 20515

The Honorable Ed Whitfield
U.S. House of Representatives
2411 Rayburn House Office Building
Washington, DC 20515

Direct 630 821 2588
Fax 630 821 2590
Mobile 325 226 4111
MaloneRA@bp.com

Dear Chairman Stupak and Representative Whitfield:

A hearing currently is scheduled before the Subcommittee on May 3, 2007, as a follow on to the September 7, 2006 hearing regarding the Prudhoe Bay issues resulting from the two Oil Transit Lines (OTLs) on the North Slope of Alaska. For the reasons explained below, BP respectfully requests that the hearing be rescheduled.

First, it has recently come to my attention that information relevant to the September, 2006 hearing was not provided to the Subcommittee – or to the President of BP Alaska or me. By way of background, as you know, I commissioned an investigation into the reasons that the OTL leak detection Compliance Order by Consent (COBC) was not disclosed to the Subcommittee prior to the first hearing. While that investigation is not yet complete, I have received, reviewed and provided to the Subcommittee staff the Interim COBC Report.¹ The Interim COBC Report identified a breakdown in our response and preparation process that resulted in relevant documents not being provided. Some of these documents are the same documents that the Subcommittee staff has identified as raising questions on the impact of the budget process on operational decision-making during 2000 - 2005.

Second, some of the documents recently produced to the Subcommittee staff raise concerns about previous spending decisions that cause me concern. We need time to determine how the concerns and frustrations expressed by workers were ultimately resolved. For example, as set out in some of the documents, it appears that there were serious discussions about discontinuing injection of corrosion inhibitor into some of the Produced Water lines in 2001- 2004. I do not know whether this happened at all; or, if it did, for how long, or what was the impact on the lines. I want to have, and I want the Subcommittee to have, a complete understanding of what happened in this case and why.

¹ I am advised that the final investigation cannot be completed until all the relevant documents are reviewed and any necessary follow up interviews are completed.

The Honorable Bart Stupak
The Honorable Ed Whitfield
April 30, 2007
Page Two

Additionally, I was troubled to see in some of the documents the extent of the frustration being expressed by the workforce throughout the 2000-2005 time frames. I want to eliminate the frustration voiced in many of the documents by creating a culture in which workers are confident their concerns will be heard and addressed before they would ever reach the level of frustration expressed in these historical documents. This process takes time, but I believe that we are making changes in the way we manage our business, and in building a positive safety culture.

I recognize that the Subcommittee wants to ensure that BP fully understands what led to the situation in Alaska and that it incorporates the lessons learned into its processes going forward. I want to do that as well. In order to do that, I would request additional time to complete investigations and document searches, and to ensure that the Subcommittee staff has all of the information it needs to complete its work.

Finally, as we have explained to the Subcommittee staff on a number of occasions, BP is involved in a substantial document production process in cooperation with various governmental investigations of the Prudhoe Bay spills of 2006.² Despite enormous effort the database is not yet complete. In some cases, the searches may have to be refined. As a result some of our responses on specific issues are not yet complete, while certain questions may require additional information, research and investigation. This will also apply to responding to the document request that we understand the Subcommittee is submitting to us today.

It has always been my intention to be fully responsive to the Committee, and I apologize for the breakdown in our process that has occurred. For these reasons, I respectfully request that the May 3 hearing be rescheduled so that we are able to more fully develop the record prior to the hearing.

Regards,



Robert A. Malone

² As we said in our transmittal letter of April 17, 2007, we have created a searchable database of over 20 million documents, which we winnowed down in the interest of providing the subset of documents that appeared most relevant to the Subcommittee's interests. Our letter noted that we anticipated and welcomed additional questions. Following our further discussions with Subcommittee staff, we are searching for additional responsive documents and will invest the time and resources needed to provide them.



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Doug Suttles
President

BP Exploration (Alaska) Inc.
P.O. Box 196612
900 E. Benson Boulevard
Anchorage, Alaska 99519-6612

April 30, 2007

BY HAND DELIVERY

The Honorable John D. Dingell
Chairman, House Energy and Commerce Committee
U.S. House of Representatives
2328 Rayburn House Office Building
Washington, D.C. 20515-2215

Dear Chairman Dingell:

Direct 907 564 5422
Main 907 561 5111
Fax 907 564 5900
doug.suttles@bp.com

We have received a copy of a March 17, 2007 communication to you that raised two issues regarding our operations in Alaska. We address each issue below.

Prudhoe Bay Gathering Center #2 Fire Suppression System

The letter first alleges risks in connection with the deactivation of the fire suppression system at our Gathering Center #2 (GC-2) facility during radiographic testing associated with corrosion monitoring activities.

I will address the specific allegations of the letter below, but I want to be clear at the outset that BP Exploration Alaska ("BPXA") is committed to safety. To that end, BPXA has acted to ensure all appropriate measures are taken in response to concerns such as those raised in the March 17 letter. BPXA assembled an internal team with appropriate experience and expertise to conduct a Process Hazard Analysis (PHA) to review whether the existing compensatory measures taken when the UV fire detection system is deactivated are sufficient and whether additional safety measures might be appropriate. This process addresses the review requested by the Office of the Ombudsman in response to a similar concern raised earlier by a worker.

The PHA team concluded that our practice of temporary disabling of the UV detectors is appropriate and necessary and identified additional safety measures that we are implementing. For example, we require an hourly patrol of the area with disabled UV detectors by an operator and we are managing the radiographic testing more actively to minimize the time the UV detectors are disabled.

Below, I have provided additional context about the UV detector deactivation issue to ensure that the March 17 letter does not leave any misimpressions.

First, the letter suggests that the entire fire suppression system at GC-2 is turned off during "x-ray corrosion monitoring." That is not the case. The GC-2 fire and gas detection and fire suppression system consists of multiple elements, including ultraviolet (UV) detectors, combination ultraviolet and infrared (UVIR) detectors, flammable gas

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detectors, smoke detectors, flicker detectors, fusible links in a water deluge system, and halon fire suppression. During radiographic (x-ray) activity in or near the facility, *only* the UV detectors are deactivated; all other detection and suppression systems remain activated and fully functional. The purpose of this temporary deactivation is to prevent the radiography from creating a false UV detection and triggering the fire suppression system.

Second, the letter does not identify the safety measures used when the UV detection system is disabled during radiographic testing. All other fire and gas detection and fire suppression systems remain activated and fully functional during the radiographic activity. Areas of the facility which have UV detectors also have gas detectors which are not deactivated during radiography. A minimum of five (5) operators must be present at the GC-2 facility for radiographic testing to take place to allow appropriate patrolling.

Additionally, the State of Alaska Department of Natural Resources, Oil & Gas Division investigated these same allegations. The Agency did not take exception with the practices and procedures that are used when the UV detection system is disabled during radiographic testing. The Agency's investigation recognized our thorough examination of the impact of disabling the UV detectors, the continued activation of other detection and suppression systems, and the additional safety measures recommended by the PHA team. Finally, the Agency concluded that the existing procedures to mitigate disabling the UV detectors are adequate.

Third, the letter describes the GC-2 fire suppression system as "defective." The fact is, the fire and gas detection and fire suppression system at GC-2, when implemented as designed, is adequate and, although it is somewhat cumbersome and not the system that BPXA would install today, it is fully functional. We continue to maintain these systems, and they provide the necessary protection for personnel and facilities. Indeed, at this point, a plan is under development for upgrading the fire and gas systems as part of our wider renewal efforts. This plan will be implemented in phases over the next several years. The company is committed to ensuring that fire and gas issues are addressed and to committed to providing the resources necessary to do so.

In addition, the Ombudsman's Office has been reviewing BPXA's fire and gas systems as part of the review of legacy employee concerns. The Ombudsman has engaged an independent engineering firm to evaluate the fire and gas system legacy concerns raised by BPXA employees and, in particular, to assess any need for near-term corrective action. The firm's initial examination of the system is ongoing, and a report is in development as part of the review of legacy employee concerns.

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Operations Review Team

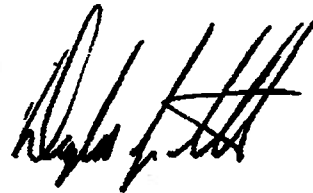
The March 17 letter also suggests that the Operations Review Team (ORT) Report completed in October 2001 -- a copy of which was provided to the Committee at that time, and which we are providing again with this letter -- omitted certain employee interview excerpts. In fact, as you know, no interview excerpts were selectively omitted because the ORT Report did not contain *any* interview excerpts in an effort to protect the confidentiality of the cooperating employees.

The ORT team was formed at the request of [Robert Malone, who was then BP's Regional President Western United States] to examine employee concerns about North Slope operating conditions. The review team examined employee and contractor operational integrity concerns, interviewed approximately 300 employees and contractors, and gathered more than 700 employee and contractor concerns. These employee concerns were analyzed and grouped into categories of related findings for further action by the review team.

In developing its recommendations for dealing with the issues raised by the workforce, the review team took into account suggestions made by the workforce for resolution of those concerns. A relatively small number of concerns (in comparison to other concerns) were expressed regarding corrosion management issues. Those concerns did result in findings and recommendations that we accepted and implemented.

If you would like any further information on either of these topics, please let us know. We would be happy to address any questions or concerns that you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Suttles", with a stylized, cursive script.

Doug Suttles

cc: The Honorable Sarah Palin, Governor, Alaska *via hand delivery*

HENRY A. WAXMAN, CALIFORNIA
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May 2, 2007

Mr. Robert A. Malone
Chairman and President
BP America, Inc.
200 Westlake Park Blvd.
Houston, TX 77079

Dear Mr. Malone:

We are in receipt of your April 30 letter (attached) requesting a postponement of the hearing scheduled for May 3, 2007, before the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce entitled "2006 Prudhoe Bay Shutdown: Will Recent Regulatory Changes and BP Management Reforms Prevent Future Failures?" This hearing had been planned for some time as a follow up to our September 7, 2006, hearing. It was intended to assess the adequacy of efforts BP and various regulators have taken to address the organizational and mechanical failures leading to the March 2, 2006, leak in the "Western Operating Area" transit line and the subsequent discovery of severe corrosion and leaking in the "Eastern Operating Area" transit line.

Your request for a postponement of the hearing is based upon your recent discovery that "information relevant to the September, 2006 hearing was not provided to the Subcommittee." In addition, this information was apparently neither disclosed to you nor Steve Marshall, the former President of BP Alaska, before your testimony at our September hearings. The discovery of this material has clearly raised questions about the adequacy of your response to the Committee, as well as previous spending decisions made by your company—concerns that you clearly acknowledge in your April 30 letter and that form the basis for your request for additional time to investigate both issues in more detail.

Despite numerous requests for such material, going back nearly a year, it was only on April 17, 2007, that BP provided the Committee with a number of BP documents which reveal important internal discussions suggesting a severe cost-cutting atmosphere existed in your crude oil production operations at Prudhoe Bay. On their face, this new material raises concerns that shortsighted cost-cutting may have led to the spills and corrosion problems in Alaska. Some of

the documents discuss stopping the injection of corrosion inhibitor to meet budget targets. Others suggest that other activities related to corrosion mitigation had to be reduced or put on hold due to budget constraints.

Equally troubling, these documents raise questions about the accuracy of Mr. Marshall's testimony when he suggested that "cost is not a consideration" as it relates to issues of both safety and integrity in Prudhoe Bay operations.

It is our understanding that significant redesign and rebuilding has already occurred on some of the key transit lines that failed last year. It is also our understanding that BP has made a number of management and personnel changes in Alaska, and that these efforts appear to be taking the company in a positive direction. We applaud your company for those undertakings. Nevertheless, to assess whether BP's new path forward will be successful, the Committee needs to explore whether the climate of top down cost-cutting affected the health, safety, or the environment of the Prudhoe Bay field and its workers. In order to make such a determination, we need you to respond to the questions raised by the newly discovered documents, as well as all previous requests for information made by this Committee.

As you know, in response to our receipt of the newly discovered documents, we forwarded to you another document request on April 30, 2007, which included: (1) documents that discuss whether BP managers ordered that corrosion inhibitor be turned off due to budgetary constraints; (2) answers to the question of if, when, and where corrosion inhibitor may have been turned off, and what consequences this may have had on program integrity; (3) records related to requests for smart pigging and maintenance pigging from officials in the Prudhoe Bay's Corrosion, Inspection, and Chemicals (CIC) Group from 2000-2005; and (4) e-mails sent or received by the CIC group related to reducing, suspending, or cutting back on corrosion inhibitor.

We are pleased that BP has promised to respond quickly to this request and accept BP's explanation that it needs "additional time to complete investigations and document searches, and to ensure the Subcommittee has all of the information it needs to complete its work."

Based upon your assurances that you need additional time to comply with our document requests and to be prepared to respond to the issues raised by the newly discovered internal BP documents, we have acquiesced to your request for a continuance and have rescheduled the hearing for 9:30 a.m. on Wednesday, May 16, 2007. At that hearing, we expect you and other BP officials to be prepared to address the following issues:

- BP's plan to rebuild and sustain the integrity of the oil pipeline system, including the Eastern Operating Area and Western Operating Area transit lines that failed and caused last year's shutdown. How is this effort progressing and what are the expected milestones for completion?

Mr. Robert A. Malone

Page 3

- Whether BP believes the environment of cost-cutting as apparently reflected in some of these documents affected the ability of workers to safely operate the Prudhoe Bay field and, in particular, ensure adequate corrosion control. To the extent BP believes these documents do suggest a climate where workers had to make difficult decisions between budget savings and program integrity, what steps does the company intend to take to prevent the reoccurrence of such an atmosphere?
- What role did top down cost-cutting play in both Texas City and Alaska? What changes is BP institutionalizing that would reflect the lessons learned from both Texas City and Alaska, as identified in the Baker Panel report, the Booz Allen Hamilton report, and the Chemical Safety Board Investigation report?
- How will BP ensure that there is no tolerance for retaliation against workers who may attempt to raise safety and health concerns? In addition, as new concerns arise, how will BP put in place a transparent mechanism to ensure they are resolved in a timely manner?

If you have any questions regarding this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Committee staff at (202) 226-2424.

Sincerely,



John D. Dingell
Chairman

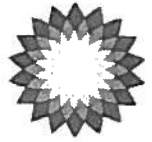


Bart Stupak
Chairman
Subcommittee on Oversight and Investigations

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce



Robert A. Malone

Chairman & President

BP America Inc.
4101 Winfield Road
314 Q
Warrenville, IL 60555
USA

April 30, 2007

The Honorable Bart Stupak
Chairman
Oversight and Investigations
Committee on Energy and Commerce
2352 Rayburn House Office Building
Washington, DC 20515

The Honorable Ed Whitfield
U.S. House of Representatives
2411 Rayburn House Office Building
Washington, DC 20515

Direct 630 821 2588
Fax 630 821 2590
Mobile 325 226 4111
MaloneRA@bp.com

Dear Chairman Stupak and Representative Whitfield:

A hearing currently is scheduled before the Subcommittee on May 3, 2007, as a follow on to the September 7, 2006 hearing regarding the Prudhoe Bay issues resulting from the two Oil Transit Lines (OTLs) on the North Slope of Alaska. For the reasons explained below, BP respectfully requests that the hearing be rescheduled.

First, it has recently come to my attention that information relevant to the September, 2006 hearing was not provided to the Subcommittee – or to the President of BP Alaska or me. By way of background, as you know, I commissioned an investigation into the reasons that the OTL leak detection Compliance Order by Consent (COBC) was not disclosed to the Subcommittee prior to the first hearing. While that investigation is not yet complete, I have received, reviewed and provided to the Subcommittee staff the Interim COBC Report.¹ The Interim COBC Report identified a breakdown in our response and preparation process that resulted in relevant documents not being provided. Some of these documents are the same documents that the Subcommittee staff has identified as raising questions on the impact of the budget process on operational decision-making during 2000 - 2005.

Second, some of the documents recently produced to the Subcommittee staff raise concerns about previous spending decisions that cause me concern. We need time to determine how the concerns and frustrations expressed by workers were ultimately resolved. For example, as set out in some of the documents, it appears that there were serious discussions about discontinuing injection of corrosion inhibitor into some of the Produced Water lines in 2001- 2004. I do not know whether this happened at all; or, if it did, for how long, or what was the impact on the lines. I want to have, and I want the Subcommittee to have, a complete understanding of what happened in this case and why.

¹ I am advised that the final investigation cannot be completed until all the relevant documents are reviewed and any necessary follow up interviews are completed.

The Honorable Bart Stupak
The Honorable Ed Whitfield
April 30, 2007
Page Two

Additionally, I was troubled to see in some of the documents the extent of the frustration being expressed by the workforce throughout the 2000-2005 time frames. I want to eliminate the frustration voiced in many of the documents by creating a culture in which workers are confident their concerns will be heard and addressed before they would ever reach the level of frustration expressed in these historical documents. This process takes time, but I believe that we are making changes in the way we manage our business, and in building a positive safety culture.

I recognize that the Subcommittee wants to ensure that BP fully understands what led to the situation in Alaska and that it incorporates the lessons learned into its processes going forward. I want to do that as well. In order to do that, I would request additional time to complete investigations and document searches, and to ensure that the Subcommittee staff has all of the information it needs to complete its work.

Finally, as we have explained to the Subcommittee staff on a number of occasions, BP is involved in a substantial document production process in cooperation with various governmental investigations of the Prudhoe Bay spills of 2006.² Despite enormous effort the database is not yet complete. In some cases, the searches may have to be refined. As a result some of our responses on specific issues are not yet complete, while certain questions may require additional information, research and investigation. This will also apply to responding to the document request that we understand the Subcommittee is submitting to us today.

It has always been my intention to be fully responsive to the Committee, and I apologize for the breakdown in our process that has occurred. For these reasons, I respectfully request that the May 3 hearing be rescheduled so that we are able to more fully develop the record prior to the hearing.

Regards,

A handwritten signature in black ink, appearing to read 'R. Malone', with a horizontal line extending to the right.

Robert A. Malone

² As we said in our transmittal letter of April 17, 2007, we have created a searchable database of over 20 million documents, which we winnowed down in the interest of providing the subset of documents that appeared most relevant to the Subcommittee's interests. Our letter noted that we anticipated and welcomed additional questions. Following our further discussions with Subcommittee staff, we are searching for additional responsive documents and will invest the time and resources needed to provide them.

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U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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GREGG A. ROTHCHILD, CHIEF COUNSEL

April 30, 2007

Mr. Robert A. Malone
Chairman and President
BP America, Inc.
200 Westlake Park Boulevard
Houston, TX 77079

Dear Mr. Malone:

BP recently provided documents to the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce that suggest a severe cost-cutting atmosphere existed between 2000 and 2005 in crude oil production operations at Prudhoe Bay. Last week, BP representatives met with Committee staff to discuss these documents and explain what impact budget cuts may have had on Prudhoe Bay's Corrosion, Inspection, and Chemicals Group (CIC), which was responsible for corrosion mitigation at BP Exploration (Alaska) Inc. BP's representatives also commented on whether these budget cuts were in any way associated with the recent failures that led to last year's shutdown of the Prudhoe Bay field.

The documents suggest that budget pressures were severe enough that some BP field managers were considering measures as draconian as reducing corrosion inhibitor to save money. BP provided e-mails that detail proposals to cut funding for corrosion inhibitor during at least two different years and in two different locations. These locations included the "produced water" lines that are highly susceptible to corrosion. If senior BP managers were willing to consider turning off inhibitor at these locations, it suggests a budgetary environment in which other corrosion management activities may have been eliminated or reduced to a degree that may have directly affected corrosion of the portions of the oil transit lines (OTL) that experienced leaks last year.

Similarly, the documents suggest that corrosion-monitoring efforts such as smart pigging, coupon pulling, and digging up road crossings for visual inspection, were either reduced, put on hold, or "squeezed" in some cases due to budget constraints. In other words, important action items related to health, safety, and the environment, were being delayed, or cut altogether, and

that this was related to tight budgets possibly in an effort to maintain “flat lifting costs.”

The documents provided to the Subcommittee confirm that people on the front lines of corrosion management believed that they were under extreme pressure, and they were attempting to do their best with what they had. As you prepare your testimony for the Subcommittee’s hearing regarding operations at Prudhoe Bay, we ask that you be prepared to discuss your understanding of the impact that budget had on the CIC Group and how this may have affected both employee morale and the integrity of the corrosion monitoring program, including the willingness to raise concerns regarding imprudent decisions. As long as BP lacks an understanding of the environment in which these individuals were working, we remain skeptical that effective policies can be implemented to prevent recurrences of these kinds of incidents.

In light of this recent information, we ask that you include in your written testimony responses to the following questions regarding the CIC group’s corrosion mitigation efforts:

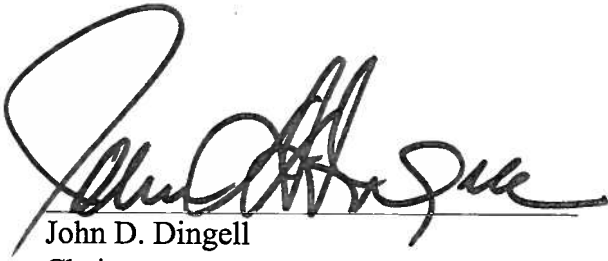
1. At any time from 2000 to 2005, did BP managers order corrosion inhibitor injection to be turned off, specifically to save money or stay within budget constraints? If so, where in the system did this occur, during which dates, and what potential impact did such actions have on the lines or systems when it was halted?
2. On April 15, 2004, an e-mail was sent to Messrs. Kip Sprague and Richard Woollam in the CIC Group (Bates number 7159) referring to a proposal to cancel corrosion inhibitor at “GC’s.” Assuming that this abbreviation refers to the Gathering Centers, where within the Gathering Centers was the halting of inhibitor being proposed (regardless of whether such action was ever taken)? In view of the changing composition of crude oil being produced at Prudhoe Bay, would reducing corrosion inhibitor at the Gathering Centers have any impact on “carry over” to the OTLs that leaked?
3. Provide all records related to any requests for smart pigging and maintenance pigging from any officials in the CIC Group for the years 2000 through 2005.
4. Provide all e-mails sent and received by the CIC Group involving reducing, suspending, or cutting back on corrosion inhibitor, or any general concerns regarding corrosion in the OTLs.

Mr. Robert A. Malone

Page 3

If you have any questions on this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Majority Committee staff at (202) 226-2424, or Dwight Cates with the Minority Committee staff at (202) 225-3641.

Sincerely,



John D. Dingell
Chairman



Bart Stupak
Chairman
Subcommittee on Oversight and Investigations

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member
Subcommittee on Oversight and Investigations

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U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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CHAIRMAN

October 6, 2006

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Mr. Kurt Fredriksson
Commissioner
Alaska Department of Environmental Conservation
410 Willoughby Ave., Suite 303
P.O. Box 111800
Juneau, AK 99811-1800

Mr. Robert A. Malone
Chairman and President
BP America, Inc.
501 Westlake Park Boulevard
Houston, TX 77079

Dear Commissioner Fredriksson and Mr. Malone:

Attached please find a copy of Compliance Order by Consent No. 02-138-10 between the State of Alaska and BP Exploration (Alaska) Inc. (BPXA). Several of the issues contained in this Order appear directly related to the spills on the Prudhoe Bay Western Operating Line (WOL) and the Prudhoe Bay Eastern Operating Line (EOL) that were the subject of a hearing by this Committee on September 7, 2006.

As you are aware, on March 15, 2006, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a Corrective Action Order (CAO) in response to the WOL failure. The CAO delineated specific requirements that BPXA needed to undertake to bring both its Eastern and Western lines into compliance.

Among the several items in the CAO was a requirement that BPXA "pig" several pipelines including the EOL and WOL. Subsequent to the issuance of the CAO, it was revealed that large sections of both the WOL and the EOL contained potentially significant amounts of scale, sludge, and/or other solids. For several months, following the issuance of the March CAO, BPXA attempted to develop solutions to (a) determine the amount of solids in each line, and (b) determine if and how it could pig these lines as required by the CAO. In early August of this year, BPXA discovered, after pigging part

of the EOL, that numerous instances of corrosion existed. Upon learning of this corrosion, BPXA subsequently ordered the shutdown of the Prudhoe Bay field.

In our September 7, 2006, hearing, BPXA acknowledged that it should have pigged both the WOL and EOL more frequently and that it had been caught off guard by the amounts of solids that were presently in these lines, particularly the EOL. However, this Compliance Order shows that BPXA was aware in at least 2001 that these lines possibly contained unacceptable amounts of solids and that the lines should be pigged. On page 5 of the Order are the following requirements:

- Determine sediment levels in EOL and WOL pipelines at Skid 50. [by 3/31/02]
- Modify EOL pig receiver at Skid 50. [by 3/31/02]
- Pig EOA pipeline from PS - 1 launcher to Skid 50. [by 6/30/02]
- Pig WOL pipeline segments if necessary. [by 9/30/02]
- Test and select flow meters at EOL pipelines, Skid 50 if necessary. [by 9/30/02]
- Complete WOL crude oil flow smoothing modifications. [by 12/31/02]
- Install and test meters on all pipelines. [by 12/31/02]
- Evaluate and establish leak detection systems' compliance. [by 12/31/02]


Had these actions been taken, BPXA would likely have been in a better position to understand the conditions that were forming in both the WOL and EOL -- conditions that ultimately resulted in the failures of these lines. However, it is unclear which, if any, of these actions occurred. Given the potential seriousness of this Order, and the direct relevance to the matters that occurred on both the Western and Eastern lines, we ask that you respond to the following questions by no later than Friday, October 20, 2006:

1. Was this Order received by BPXA? If so, by whom, and what actions were taken? If certain of these actions were not taken, explain why not.
2. The order is signed by a BPXA employee named Mr. Jack M. Fritts who is identified as the Greater Prudhoe Bay Unit Operations Manager. Does Mr. Jack M. Fritts still hold this position with the company? If not, is Mr. Fritts still employed by BPXA? If not, explain why not and provide the Committee with any documents surrounding his departure. Who did Mr. Fritts report to when this Order was signed, and is that person still employed by BPXA?
3. Why was this Order not provided to the Committee by BPXA pursuant to the Committee's document request letter dated August 31, 2006?
4. Prior to their sworn testimony before the Committee on September 7, 2006, was either Mr. Robert A. Malone or Mr. Steve Marshall briefed on or otherwise made aware of the existence of this Compliance Order? If not, why not? If so, why didn't either of them discuss the Order in their


Mr. Kurt Fredriksson
Mr. Robert A. Malone
Page 3

written testimony, oral testimony, or in response to questions posed by
members of the Committee?


Sincerely,




Joe Barton
Chairman
Committee on Energy
and Commerce



John D. Dingell
Ranking Member
Committee on Energy
and Commerce



Ed Whitfield
Chairman
Subcommittee on Oversight
and Investigations



Bart Stupak
Ranking Member
Subcommittee on Oversight
and Investigations

cc: The Honorable Frank Murkowski, Governor
State of Alaska

The Honorable Ted Stevens, Senator
U.S. Senate

The Honorable Lisa Murkowski, Senator
U.S. Senate

The Honorable Don Young, Member
U.S. House of Representatives

The Honorable Alberto R. Gonzales, Attorney General
Department of Justice

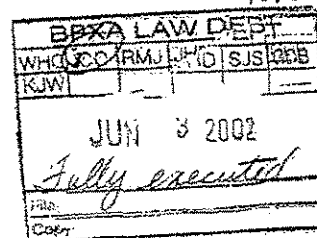
Vice Admiral Thomas J. Barrett, USCG (Ret.), Administrator
Pipeline and Hazardous Materials Safety Administration

Attachment

BEFORE THE STATE OF ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

N. McCleary
G. Blankenship
J. Fritz / R. Garmann
G. Campbell
R. Jacobson
C. Phillips
R. Kline
M. Merrill
N. Glendon

In the Matter of:)
STATE OF ALASKA, DEPARTMENT OF)
ENVIRONMENTAL CONSERVATION)
)
Complainant,)
)
vs.)
)
BP Exploration (Alaska) Inc.)
)
Respondent.)
_____)



Consent Order No. 02-138-10

COMPLIANCE ORDER BY CONSENT

Whereas the Complainant, the State of Alaska, Department of Environmental Conservation ("ADEC"), and the Respondent, BP Exploration (Alaska) Inc. ("BPXA" or "Respondent"), desire to resolve and settle a disputed matter and to avoid the uncertainty and expense of formal enforcement proceedings, it is hereby agreed as follows:

I. JURISDICTION

1. This Compliance Order by Consent (hereinafter Order) is entered into under the authority of ADEC under AS 44.46.020, AS 46.03.020, AS 46.03.760(e), AS 46.03.765, AS 46.03.850, and 18 AAC 95.160, and the settlement authority of the Attorney General under AS 44.23.020.

II. BACKGROUND

2. BPXA is an owner and the operator of the Greater Prudhoe Bay Unit crude oil transmission pipeline system (hereinafter "FACILITY"). BPXA operates the FACILITY on the North Slope of Alaska, and receives mail at: P.O. Box 196612, Anchorage, Alaska 99519-6612. The FACILITY is a system of "pipelines" as that term is defined in AS 46.04.900(18).

3. In January 1999, ADEC approved and issued to ARCO Alaska Inc.

("AAT") a renewal of oil discharge prevention and contingency plan number 984-CP-4138 for the Prudhoe Bay eastern operating area ("EOA") crude oil transmission pipeline system ("EOA Plan"). Condition of approval number 8 of the EOA Plan required AAI to submit to ADEC a proposed leak detection system for the EOA crude oil transmission pipeline system that met the 1 percent daily throughput standard in 18 AAC 75.055(a) ("1% Standard") and a best available technology ("BAT") analysis for the leak detection system that met the BAT requirement in 18 AAC 75.425(e)(4)(A)(iv) ("BAT Requirement") by the end of August 1999.

4. In January 1999, ADEC approved and issued to BPXA a renewal of oil discharge prevention and contingency plan number 984-CP-4129 for the Prudhoe Bay western operating area ("WOA") crude oil transmission pipeline system ("WOA Plan"). Condition of approval number 8 of the WOA Plan required BPXA to submit to ADEC a proposed leak detection system for the WOA crude oil transmission pipeline system that met the 1% Standard and a BAT analysis for the leak detection system that met the BAT Requirement by the end of August 1999.

5. In August 1999, AAI submitted a proposed leak detection system for the EOA crude oil transmission pipeline system to ADEC. ADEC determined that the proposal was too general, did not include a BAT analysis and, accordingly, was insufficient for review. AAI requested an extension to submit a revised proposed leak detection system and the BAT analysis. ADEC granted an extension to October 15, 1999.

6. In August 1999, BPXA submitted a proposed leak detection system for the WOA crude oil transmission pipeline system to ADEC. ADEC determined that the proposal was too general, did not include a BAT analysis and, accordingly, was insufficient for review. BPXA requested an extension to submit a revised proposed leak detection system and the BAT analysis. ADEC granted the extension to mid-October 1999.

7. In October 1999, AAI resubmitted a proposed leak detection system for the EOA crude oil transmission pipeline system and a BAT analysis. ADEC determined these submissions satisfied the EOA Plan condition of approval number 8 requirement and initiated review of both documents under 18 AAC 75.455.

8. In mid-October 1999, BPXA resubmitted a proposed leak detection for the WOA crude oil transmission pipeline system and a BAT analysis. ADEC determined these submissions satisfied the WOA Plan condition of approval number 8 requirement and initiated

review of both documents under 18 AAC 75.455.

9. In June 2000 operational control of the EOA crude oil transmission pipeline system changed from AAI to Phillips Alaska, Inc.

10. On July 1, 2000, BPXA assumed the sole operator role for the EOA and WOA crude oil transmission pipeline systems (the FACILITY).

11. In August 2000, ADEC requested BPXA to submit an engineering package to verify that the proposed leak detection system for the EOA and WOA crude oil transmission pipeline systems would meet the 1% Standard for the FACILITY.

12. In October 2000, BPXA submitted the requested engineering package to ADEC.

13. In December 2000, ADEC determined that the proposed leak detection system for the FACILITY did not meet the 1% Standard and that the BAT analysis did not meet the BAT Requirement. ADEC interpreted the 1% standard as applying to each pipeline segment in the pipeline system, while BPXA's analysis used the combined flow into pump station 1 against which to measure the 1% detection accuracy. ADEC required BPXA to submit a revised leak detection system proposal for the FACILITY that met the 1% Standard and a BAT analysis that met the BAT Requirement by January 31, 2001.

14. In January 2001, BPXA submitted to ADEC a revised leak detection system proposal for the FACILITY that it maintains will meet the 1% Standard.

15. On March 1, 2001, BPXA submitted a BAT analysis to ADEC for the FACILITY leak detection system that it maintains will meet the BAT Requirement.

16. On April 30, 2001 BPXA met with ADEC to discuss BPXA's revised leak detection system proposal for the FACILITY. BPXA agreed to verify that the proposed leak detection system meets the 1% Standard for each pipeline segment by completing 12 action items within specified timelines in 2001. However, BPXA discovered settled solids in some pipeline segments that interfered with the proper functioning and operability of the meters. Those pipeline segments containing solids will need to be cleaned out, which will require the installation of pipeline pigging facilities prior to functional testing of the meters and leak detection system. Due to the unexpected discovery of these solids, BPXA completed only 5 of the action items within the agreed timelines. BPXA expects to complete the remaining action items on or before December 1, 2002.

III. ADEC ALLEGATIONS

COUNT I

17. Since at least December 7, 2000 BPXA has failed to comply with EOA Plan condition of approval number 8 and WOA Plan condition of approval number 8 which require BPXA to submit a leak detection system for the FACILITY that meets the requirements of 18 AAC 75.055(a) and 18 AAC 75.425(e)(4)(A)(iv).

18. Based on the facts set out in paragraphs 2-16 above, since at least December 7, 2000 BPXA has operated the FACILITY in violation of AS 46.04.030(b) which requires operation of a pipeline in compliance with an oil discharge prevention and contingency plan.

COUNT II

19. Under this Order, BPXA will not comply with EOA Plan condition of approval number 8 and WOA Plan condition of approval number 8 and, accordingly, will continue to violate AS 46.04.030(b) until BPXA verifies that the proposed leak detection system for the FACILITY meets the requirements in 18 AAC 75.055(a) and 18 AAC 75.425(e)(4)(A)(iv).

COUNT III

20. Since at least December 7, 2000, BPXA has not equipped the FACILITY with the enhanced leak detection system to satisfy the requirement in 18 AAC 75.055(a) consistent with 18 AAC 75.425(e)(4)(A)(iv).

21. Based on the facts set out in paragraphs 2-16 above, since at least December 7, 2000, BPXA has been operating the FACILITY in violation of 18 AAC 75.055(a).

COUNT IV

22. Under this Order, BPXA will continue to operate the FACILITY in violation of 18 AAC 75.055(a) until BPXA verifies that the proposed leak detection system for the FACILITY satisfies the requirement in 18 AAC 75.055(a) consistent with 18 AAC 75.425(e)(4)(A)(iv).

IV. REMEDIAL MEASURES

23. In order to address the violations outlined in Counts I-IV of Section III of the Order, the Respondent agrees to complete all outstanding action items to verify that the leak detection system for the FACILITY satisfies both the 1% leak detection requirement in 18 AAC 75.055(a), as applied to each pipeline segment, and the BAT requirement of 18 AAC 75.425(e)(4)(A)(iv). Specifically, BPXA agrees to perform the following tasks by the dates indicated herein:

- Determine sediment levels in EOA and WOA pipelines at Skid 50. [by 3/31/02]
- Modify EOA pig receiver at Skid 50. [by 3/31/02]
- Pig EOA pipeline from FS-1 launcher to Skid 50. [by 6/30/02]
- Pig WOA pipeline segments if necessary. [by 9/30/02]
- Test and select flow meters at EOA pipeline, Skid 50 if necessary. [by 9/30/02]
- Complete WOA crude oil flow smoothing modifications. [by 12/31/02]
- Install and test meters on all pipelines. [by 12/31/02]
- Evaluate and establish leak detection systems' compliance. [by 12/31/02]

24. BPXA and ADEC agree to meet and/or confer as necessary to reach a common understanding of the meaning and interpretation of 18 AAC 75.055(a) and 18 AAC 75.425(e)(4)(A)(iv), and to evaluate the Facility's compliance with those regulations.

V. TIME FOR COMPLIANCE

25. Time is of the essence in the Order. Failure to submit any document or make any payment by the deadlines set forth in this Order is a violation of the Order triggering any suspended damages and penalties unless a written extension of time is obtained from ADEC pursuant to paragraph 27.

26. Failure to submit any document or make any payment by the deadlines set forth in the Order, unless a written extension of time is obtained from ADEC pursuant to paragraph 27, may also terminate or serve as the basis for termination of the Order.

27. ADEC, in its discretion, may grant a written extension of time if the Respondent requests the extension prior to the deadline, and proves to the satisfaction of ADEC that any delay is beyond the control of the Respondent due to unforeseen circumstances such as adverse weather or natural disaster. Increases in costs incurred by the Respondent shall not be a basis for any extension of time. Any request for an extension of time must be provided in writing. A request for an extension of time does not toll any deadlines unless ADEC provides a written extension.

28. Unless otherwise specified, all references to days in this Order are to calendar days; however, if a deadline occurs on a weekend or legal holiday the deadline is extended to the next working day.

VI. ADMINISTRATION FEES

29. The Respondent agrees to reimburse ADEC for ADEC and Department of Law staff time spent developing and implementing this Order.

VII. OTHER PAYMENTS

30. Damages and Penalties. The Respondent agrees to pay damages and penalties pursuant to AS 46.03.760(e) as follows:

- a. the Respondent agrees to pay the State of Alaska the sum of \$300,000 in damages and penalties, with \$150,000 suspended on the condition that the Respondent complies with all terms and conditions of the Order to the reasonable satisfaction of ADEC. For purposes of this Order, \$121,000 represents economic savings realized by the Respondent in not complying with the requirements for which the violations were alleged; and \$29,000 represents the "gravity component" designed to deter future noncompliance;
- b. the Respondent agrees to pay the State of Alaska the unsuspended portion of the damages and penalties, \$150,000, within thirty days of the effective date of the Order;
- c. the Respondent agrees to pay the State of Alaska the suspended portion of the damages and penalties within seven calendar days after failing to submit any document or make any payment by the deadlines set forth in the Order, or after receiving notice of termination if the Order is

terminated pursuant to the provisions of paragraph 43(a) or 43(b) of this Order;

d. all payments under this section shall be made payable to the State of Alaska, Department of Environmental Conservation, shall include the number of the Order, and shall be directed to the Attention of: Cost Recovery Unit, SPAR Director's Office, Alaska Department of Environmental Conservation, 410 Willoughby Ave., Suite 105, Juneau, Alaska 99801-1795.

31. If any payment required by paragraph 30 of the Order is not made, or if any negotiable instrument presented as payment is not honored, ADEC may file a civil action to collect the amount due under the Order, plus interest, attorney's fees, and costs. In any collection action, the validity, amount, and appropriateness of damages and penalties is not subject to review.

VIII. RESERVATION OF RIGHTS

32. The requirements, duties, and obligations set forth in the Order are in addition to any requirements, duties, or obligations contained in any permit or plan approval which ADEC has issued or may issue to the Respondent and are in addition to any requirements, duties, or obligations imposed by State, local, or federal law. Other than as expressly provided herein, the Order does not relieve the Respondent from the duty to comply with requirements contained in any such permit or plan approval or with any State, local, or federal law.

33. ADEC expressly reserves the right to initiate administrative or legal proceedings relating to any violation not expressly described in Counts I-IV of Section III of the Order. In addition, ADEC expressly reserves the right to initiate administrative or legal proceedings and to seek additional civil assessments or seek injunctive relief for violations described in the Order if the Respondent does not comply with the provisions set forth herein to the reasonable satisfaction of ADEC or if, in ADEC's reasonable opinion, subsequently discovered events or conditions constitute an immediate threat to public health, public safety, or the environment, regardless of whether ADEC may have been able to discover the event or condition prior to entering into the Order. In the event that ADEC seeks civil assessments for violations described in the Order, amounts required to be paid under paragraph 30 of the Order may offset any subsequent assessments for those violations, but in no event shall a refund of any

portion of the penalties and damages assessed in this Order be required.

34. In signing the Order, the Respondent and ADEC do not admit, and reserve the right to controvert in any subsequent proceedings, other than for enforcement of the Order, the validity of, or responsibility for, any of the factual or legal determinations made herein.

IX. COVENANT NOT TO SUE

35. Subject to the provisions of Section VIII (Reservation of Rights), and provided the Respondent complies with the terms of the Order to the reasonable satisfaction of ADEC, ADEC shall not institute any further action against the Respondent for the violations alleged in Counts I-IV of Section III of the Order. However, nothing herein shall be construed as limiting ADEC's right to seek damages, penalties, and fines for violation of the terms and conditions of the Order.

36. The Respondent acknowledges and agrees that the Order constitutes a lawful order of ADEC for the purposes of AS 46.03.760, AS 46.03.765, AS 46.03.790, AS 46.03.850, 18 AAC 95.160 and for all other purposes. The Respondent shall not institute any action challenging the validity of the Order or the authority of ADEC to enforce the Order. The Respondent shall not controvert or challenge, in any subsequent proceedings initiated by the State of Alaska, the validity of the Order or the authority of ADEC to issue and enforce the Order.

37. The Respondent acknowledges that, by executing the Order, with regard to violations alleged in Counts I-IV of Section III of the Order, it is waiving the rights and procedures that would otherwise protect it in any formal administrative adjudicatory proceeding or any civil action in a court of law including the right to the filing of a notice of intent, to present evidence and witnesses on its behalf, to cross-examine ADEC's witnesses, to a jury trial, and to administrative and judicial review. The Respondent acknowledges that it is knowingly and voluntarily waiving these rights.

X. DISPUTE RESOLUTION

38. The parties agree to make reasonable efforts to informally resolve at the staff level all disputes that may arise in connection with this Order. If any dispute is still unable to be resolved, the Respondent may make a written request for the ADEC Commissioner or the Commissioner's delegate to resolve the dispute. The pendency of any dispute pursuant to this

paragraph shall not affect Respondent's responsibility for timely performance of the requirements of the Order. The Commissioner or the Commissioner's delegate will issue a final determination in writing. The written decision will be final for purposes of judicial review pursuant to Alaska Rule of Appellate Procedure 602(a)(2). The determination of the Commissioner or the Commissioner's delegate will remain in effect pending resolution of any judicial appeal unless a stay is sought and granted by the court on appeal.

XI. REPORTING

39. BPXA will submit monthly reports to ADEC that summarize activities undertaken under this Order. Either BPXA or ADEC may request a meeting at any time to discuss issues associated with this Order, and the party receiving such a request shall make itself available as promptly as practicable.

XII. JURISDICTION AND VENUE

40. Any judicial action brought by either party to enforce or adjudicate any provision of the Order shall be brought in the Superior Court for the State of Alaska, Third Judicial District at Anchorage.

XIII. EFFECTIVE DATE

41. The effective date of the Order shall be the date of the last signature when the Order is signed by authorized representatives of the BPXA, ADEC and the Alaska Attorney General's Office.

XIV. SUCCESSORS

42. The Order shall be binding upon the Respondent, its agents, successors, and assigns (including any lessee or grantee of the FACILITY), and upon all persons, contractors and consultants acting on behalf of the Respondent. The Respondent shall incorporate a copy of the Order into any conveyance of its interest in the FACILITY and into any lease or management agreement, and shall require in any conveyance that the grantee or lessee shall comply with all of the requirements of the Order.

XV. TERMINATION

43. The Order shall terminate on the first to occur of the following:
- a. the day after the Respondent misses a deadline imposed under paragraph 23, unless the delay is excused pursuant to paragraph 27;

- b. the day after ADEC notifies the Respondent that ADEC is terminating the Order due to the Respondent's failure to comply with any of the provisions set forth herein to the reasonable satisfaction of ADEC;
- c. the day after ADEC issues a voluntary written termination of the Order; ADEC will terminate the Order upon request if Respondent establishes to ADEC's satisfaction that it has established compliance for all of the issues outlined in Counts I-IV of Section III of the Order and has complied with the provisions of this Order.

DATED: 5/29/02

DEPARTMENT OF ENVIRONMENTAL
CONSERVATION

By: *Jeff Mach*
Jeff Mach
Oil and Gas Coordinator

DATED: 30 May 2002

BRUCE M. BOTELHO
ATTORNEY GENERAL

By: *Camren Leonard*
Camren Leonard
Assistant Attorney General

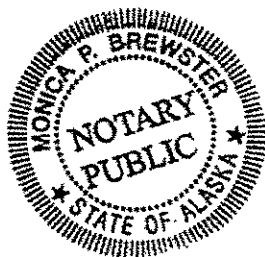
DATED: 05-14-02

BP EXPLORATION (ALASKA) INC.

By: *Jack M. Fritts*
Jack M. Fritts *Operations*
Greater Prudhoe Bay Unit Field Manager

I, *JACK M. Fritts*, hereby certify that I hold the position of Greater Prudhoe Bay Operations Manager and that I am a responsible official for the Respondent's FACILITY and that I have the authority to enter into agreements on behalf of the Respondent and the FACILITY and to otherwise legally bind the Respondent and the FACILITY. I hereby acknowledge that I have freely and voluntarily entered into this agreement with the State of Alaska on behalf of the Respondent.

SUBSCRIBED AND SWORN to before me this 14th day of May, 2002.



Monica P. Brewster
Notary Public, State of Alaska
My commission expires: _____

My Commission Expires
November 9, 2004

RALPH M. HALL, TEXAS
MICHAEL BLURAKIS, FLORIDA
VICE CHAIRMAN
FRED UPTON, MICHIGAN
CLIFF STEARNS, FLORIDA
PAUL E. GILLMOR, OHIO
NATHAN DEAL, GEORGIA
ED WHITFIELD, KENTUCKY
CHARLIE NORWOOD, GEORGIA
BARBARA CUBIN, WYOMING
JOHN SHIMKUS, ILLINOIS
HEATHER WILSON, NEW MEXICO
JOHN B. SHADEGG, ARIZONA
CHARLES W. "CHIP" PICKERING, MISSISSIPPI
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LEE TERRY, NEBRASKA
MIKE FERGUSON, NEW JERSEY
MIKE ROGERS, MICHIGAN
C.L. "BUTCH" OTTER, IDAHO
SUE MYRICK, NORTH CAROLINA
JOHN SULLIVAN, OKLAHOMA
TIM MURPHY, PENNSYLVANIA
MICHAEL C. BURGESS, TEXAS
MARSHA BLACKBURN, TENNESSEE
J. GRESHAM BARRETT, SOUTH CAROLINA

BUD ALBRIGHT, STAFF DIRECTOR

ONE HUNDRED NINTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

JOE BARTON, TEXAS
CHAIRMAN

October 6, 2006

JOHN D. DINGELL, MICHIGAN
RANKING MEMBER
HENRY A. WAXMAN, CALIFORNIA
EDWARD J. MARKEY, MASSACHUSETTS
RICK BOUCHER, VIRGINIA
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HILDA I. SOLIS, CALIFORNIA
CHARLES A. GONZALEZ, TEXAS
JAY INSLEE, WASHINGTON
TAMMY BALDWIN, WISCONSIN
MIKE ROSS, ARKANSAS

Mr. Kurt Fredriksson
Commissioner
Alaska Department of Environmental Conservation
410 Willoughby Ave., Suite 303
P.O. Box 111800
Juneau, AK 99811-1800

Mr. Robert A. Malone
Chairman and President
BP America, Inc.
501 Westlake Park Boulevard
Houston, TX 77079

Dear Commissioner Fredriksson and Mr. Malone:

Attached please find a copy of Compliance Order by Consent No. 02-138-10 between the State of Alaska and BP Exploration (Alaska) Inc. (BPXA). Several of the issues contained in this Order appear directly related to the spills on the Prudhoe Bay Western Operating Line (WOL) and the Prudhoe Bay Eastern Operating Line (EOL) that were the subject of a hearing by this Committee on September 7, 2006.

As you are aware, on March 15, 2006, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a Corrective Action Order (CAO) in response to the WOL failure. The CAO delineated specific requirements that BPXA needed to undertake to bring both its Eastern and Western lines into compliance.

Among the several items in the CAO was a requirement that BPXA "pig" several pipelines including the EOL and WOL. Subsequent to the issuance of the CAO, it was revealed that large sections of both the WOL and the EOL contained potentially significant amounts of scale, sludge, and/or other solids. For several months, following the issuance of the March CAO, BPXA attempted to develop solutions to (a) determine the amount of solids in each line, and (b) determine if and how it could pig these lines as required by the CAO. In early August of this year, BPXA discovered, after pigging part

of the EOL, that numerous instances of corrosion existed. Upon learning of this corrosion, BPXA subsequently ordered the shutdown of the Prudhoe Bay field.

In our September 7, 2006, hearing, BPXA acknowledged that it should have pigged both the WOL and EOL more frequently and that it had been caught off guard by the amounts of solids that were presently in these lines, particularly the EOL. However, this Compliance Order shows that BPXA was aware in at least 2001 that these lines possibly contained unacceptable amounts of solids and that the lines should be pigged. On page 5 of the Order are the following requirements:

- Determine sediment levels in EOL and WOL pipelines at Skid 50. [by 3/31/02]
- Modify EOL pig receiver at Skid 50. [by 3/31/02]
- Pig EOA pipeline from PS - 1 launcher to Skid 50. [by 6/30/02]
- Pig WOL pipeline segments if necessary. [by 9/30/02]
- Test and select flow meters at EOL pipelines, Skid 50 if necessary. [by 9/30/02]
- Complete WOL crude oil flow smoothing modifications. [by 12/31/02]
- Install and test meters on all pipelines. [by 12/31/02]
- Evaluate and establish leak detection systems' compliance. [by 12/31/02]


Had these actions been taken, BPXA would likely have been in a better position to understand the conditions that were forming in both the WOL and EOL -- conditions that ultimately resulted in the failures of these lines. However, it is unclear which, if any, of these actions occurred. Given the potential seriousness of this Order, and the direct relevance to the matters that occurred on both the Western and Eastern lines, we ask that you respond to the following questions by no later than Friday, October 20, 2006:

1. Was this Order received by BPXA? If so, by whom, and what actions were taken? If certain of these actions were not taken, explain why not.
2. The order is signed by a BPXA employee named Mr. Jack M. Fritts who is identified as the Greater Prudhoe Bay Unit Operations Manager. Does Mr. Jack M. Fritts still hold this position with the company? If not, is Mr. Fritts still employed by BPXA? If not, explain why not and provide the Committee with any documents surrounding his departure. Who did Mr. Fritts report to when this Order was signed, and is that person still employed by BPXA?
3. Why was this Order not provided to the Committee by BPXA pursuant to the Committee's document request letter dated August 31, 2006?
4. Prior to their sworn testimony before the Committee on September 7, 2006, was either Mr. Robert A. Malone or Mr. Steve Marshall briefed on or otherwise made aware of the existence of this Compliance Order? If not, why not? If so, why didn't either of them discuss the Order in their


Mr. Kurt Fredriksson
Mr. Robert A. Malone
Page 3

written testimony, oral testimony, or in response to questions posed by
members of the Committee?


Sincerely,




Joe Barton
Chairman
Committee on Energy
and Commerce



John D. Dingell
Ranking Member
Committee on Energy
and Commerce



Ed Whitfield
Chairman
Subcommittee on Oversight
and Investigations



Bart Stupak
Ranking Member
Subcommittee on Oversight
and Investigations

cc: The Honorable Frank Murkowski, Governor
State of Alaska

The Honorable Ted Stevens, Senator
U.S. Senate

The Honorable Lisa Murkowski, Senator
U.S. Senate

The Honorable Don Young, Member
U.S. House of Representatives

The Honorable Alberto R. Gonzales, Attorney General
Department of Justice

Vice Admiral Thomas J. Barrett, USCG (Ret.), Administrator
Pipeline and Hazardous Materials Safety Administration

Attachment

BEFORE THE STATE OF ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

N. McCleary
G. Blankenship
J. Fritz / R. Garmann
G. Campbell
R. Jacobson
C. Phillips
R. Kline
M. Merrill
N. Glendon

In the Matter of:)
STATE OF ALASKA, DEPARTMENT OF)
ENVIRONMENTAL CONSERVATION)
)
Complainant,)
)
vs.)
)
BP Exploration (Alaska) Inc.)
)
Respondent.)
_____)

BPXA LAW DEPT			
WHC	CO	RMJ	JD
KJW			
JUN 3 2002			
<i>Fully executed</i>			
File			
Copy			

Consent Order No. 02-138-10

COMPLIANCE ORDER BY CONSENT

Whereas the Complainant, the State of Alaska, Department of Environmental Conservation ("ADEC"), and the Respondent, BP Exploration (Alaska) Inc. ("BPXA" or "Respondent"), desire to resolve and settle a disputed matter and to avoid the uncertainty and expense of formal enforcement proceedings, it is hereby agreed as follows:

I. JURISDICTION

1. This Compliance Order by Consent (hereinafter Order) is entered into under the authority of ADEC under AS 44.46.020, AS 46.03.020, AS 46.03.760(e), AS 46.03.765, AS 46.03.850, and 18 AAC 95.160, and the settlement authority of the Attorney General under AS 44.23.020.

II. BACKGROUND

2. BPXA is an owner and the operator of the Greater Prudhoe Bay Unit crude oil transmission pipeline system (hereinafter "FACILITY"). BPXA operates the FACILITY on the North Slope of Alaska, and receives mail at: P.O. Box 196612, Anchorage, Alaska 99519-6612. The FACILITY is a system of "pipelines" as that term is defined in AS 46.04.900(18).

3. In January 1999, ADEC approved and issued to ARCO Alaska Inc.

("AAT") a renewal of oil discharge prevention and contingency plan number 984-CP-4138 for the Prudhoe Bay eastern operating area ("EOA") crude oil transmission pipeline system ("EOA Plan"). Condition of approval number 8 of the EOA Plan required AAI to submit to ADEC a proposed leak detection system for the EOA crude oil transmission pipeline system that met the 1 percent daily throughput standard in 18 AAC 75.055(a) ("1% Standard") and a best available technology ("BAT") analysis for the leak detection system that met the BAT requirement in 18 AAC 75.425(e)(4)(A)(iv) ("BAT Requirement") by the end of August 1999.

4. In January 1999, ADEC approved and issued to BPXA a renewal of oil discharge prevention and contingency plan number 984-CP-4129 for the Prudhoe Bay western operating area ("WOA") crude oil transmission pipeline system ("WOA Plan"). Condition of approval number 8 of the WOA Plan required BPXA to submit to ADEC a proposed leak detection system for the WOA crude oil transmission pipeline system that met the 1% Standard and a BAT analysis for the leak detection system that met the BAT Requirement by the end of August 1999.

5. In August 1999, AAI submitted a proposed leak detection system for the EOA crude oil transmission pipeline system to ADEC. ADEC determined that the proposal was too general, did not include a BAT analysis and, accordingly, was insufficient for review. AAI requested an extension to submit a revised proposed leak detection system and the BAT analysis. ADEC granted an extension to October 15, 1999.

6. In August 1999, BPXA submitted a proposed leak detection system for the WOA crude oil transmission pipeline system to ADEC. ADEC determined that the proposal was too general, did not include a BAT analysis and, accordingly, was insufficient for review. BPXA requested an extension to submit a revised proposed leak detection system and the BAT analysis. ADEC granted the extension to mid-October 1999.

7. In October 1999, AAI resubmitted a proposed leak detection system for the EOA crude oil transmission pipeline system and a BAT analysis. ADEC determined these submissions satisfied the EOA Plan condition of approval number 8 requirement and initiated review of both documents under 18 AAC 75.455.

8. In mid-October 1999, BPXA resubmitted a proposed leak detection for the WOA crude oil transmission pipeline system and a BAT analysis. ADEC determined these submissions satisfied the WOA Plan condition of approval number 8 requirement and initiated

review of both documents under 18 AAC 75.455.

9. In June 2000 operational control of the EOA crude oil transmission pipeline system changed from AAI to Phillips Alaska, Inc.

10. On July 1, 2000, BPXA assumed the sole operator role for the EOA and WOA crude oil transmission pipeline systems (the FACILITY).

11. In August 2000, ADEC requested BPXA to submit an engineering package to verify that the proposed leak detection system for the EOA and WOA crude oil transmission pipeline systems would meet the 1% Standard for the FACILITY.

12. In October 2000, BPXA submitted the requested engineering package to ADEC.

13. In December 2000, ADEC determined that the proposed leak detection system for the FACILITY did not meet the 1% Standard and that the BAT analysis did not meet the BAT Requirement. ADEC interpreted the 1% standard as applying to each pipeline segment in the pipeline system, while BPXA's analysis used the combined flow into pump station 1 against which to measure the 1% detection accuracy. ADEC required BPXA to submit a revised leak detection system proposal for the FACILITY that met the 1% Standard and a BAT analysis that met the BAT Requirement by January 31, 2001.

14. In January 2001, BPXA submitted to ADEC a revised leak detection system proposal for the FACILITY that it maintains will meet the 1% Standard.

15. On March 1, 2001, BPXA submitted a BAT analysis to ADEC for the FACILITY leak detection system that it maintains will meet the BAT Requirement.

16. On April 30, 2001 BPXA met with ADEC to discuss BPXA's revised leak detection system proposal for the FACILITY. BPXA agreed to verify that the proposed leak detection system meets the 1% Standard for each pipeline segment by completing 12 action items within specified timelines in 2001. However, BPXA discovered settled solids in some pipeline segments that interfered with the proper functioning and operability of the meters. Those pipeline segments containing solids will need to be cleaned out, which will require the installation of pipeline pigging facilities prior to functional testing of the meters and leak detection system. Due to the unexpected discovery of these solids, BPXA completed only 5 of the action items within the agreed timelines. BPXA expects to complete the remaining action items on or before December 1, 2002.

III. ADEC ALLEGATIONS

COUNT I

17. Since at least December 7, 2000 BPXA has failed to comply with EOA Plan condition of approval number 8 and WOA Plan condition of approval number 8 which require BPXA to submit a leak detection system for the FACILITY that meets the requirements of 18 AAC 75.055(a) and 18 AAC 75.425(e)(4)(A)(iv).

18. Based on the facts set out in paragraphs 2-16 above, since at least December 7, 2000 BPXA has operated the FACILITY in violation of AS 46.04.030(b) which requires operation of a pipeline in compliance with an oil discharge prevention and contingency plan.

COUNT II

19. Under this Order, BPXA will not comply with EOA Plan condition of approval number 8 and WOA Plan condition of approval number 8 and, accordingly, will continue to violate AS 46.04.030(b) until BPXA verifies that the proposed leak detection system for the FACILITY meets the requirements in 18 AAC 75.055(a) and 18 AAC 75.425(e)(4)(A)(iv).

COUNT III

20. Since at least December 7, 2000, BPXA has not equipped the FACILITY with the enhanced leak detection system to satisfy the requirement in 18 AAC 75.055(a) consistent with 18 AAC 75.425(e)(4)(A)(iv).

21. Based on the facts set out in paragraphs 2-16 above, since at least December 7, 2000, BPXA has been operating the FACILITY in violation of 18 AAC 75.055(a).

COUNT IV

22. Under this Order, BPXA will continue to operate the FACILITY in violation of 18 AAC 75.055(a) until BPXA verifies that the proposed leak detection system for the FACILITY satisfies the requirement in 18 AAC 75.055(a) consistent with 18 AAC 75.425(e)(4)(A)(iv).

IV. REMEDIAL MEASURES

23. In order to address the violations outlined in Counts I-IV of Section III of the Order, the Respondent agrees to complete all outstanding action items to verify that the leak detection system for the FACILITY satisfies both the 1% leak detection requirement in 18 AAC 75.055(a), as applied to each pipeline segment, and the BAT requirement of 18 AAC 75.425(e)(4)(A)(iv). Specifically, BPXA agrees to perform the following tasks by the dates indicated herein:

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- Modify EOA pig receiver at Skid 50. [by 3/31/02]
- Pig EOA pipeline from FS-1 launcher to Skid 50. [by 6/30/02]
- Pig WOA pipeline segments if necessary. [by 9/30/02]
- Test and select flow meters at EOA pipeline, Skid 50 if necessary. [by 9/30/02]
- Complete WOA crude oil flow smoothing modifications. [by 12/31/02]
- Install and test meters on all pipelines. [by 12/31/02]
- Evaluate and establish leak detection systems' compliance. [by 12/31/02]

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V. TIME FOR COMPLIANCE

25. Time is of the essence in the Order. Failure to submit any document or make any payment by the deadlines set forth in this Order is a violation of the Order triggering any suspended damages and penalties unless a written extension of time is obtained from ADEC pursuant to paragraph 27.

26. Failure to submit any document or make any payment by the deadlines set forth in the Order, unless a written extension of time is obtained from ADEC pursuant to paragraph 27, may also terminate or serve as the basis for termination of the Order.

27. ADEC, in its discretion, may grant a written extension of time if the Respondent requests the extension prior to the deadline, and proves to the satisfaction of ADEC that any delay is beyond the control of the Respondent due to unforeseen circumstances such as adverse weather or natural disaster. Increases in costs incurred by the Respondent shall not be a basis for any extension of time. Any request for an extension of time must be provided in writing. A request for an extension of time does not toll any deadlines unless ADEC provides a written extension.

28. Unless otherwise specified, all references to days in this Order are to calendar days; however, if a deadline occurs on a weekend or legal holiday the deadline is extended to the next working day.

VI. ADMINISTRATION FEES

29. The Respondent agrees to reimburse ADEC for ADEC and Department of Law staff time spent developing and implementing this Order.

VII. OTHER PAYMENTS

30. Damages and Penalties. The Respondent agrees to pay damages and penalties pursuant to AS 46.03.760(e) as follows:

- a. the Respondent agrees to pay the State of Alaska the sum of \$300,000 in damages and penalties, with \$150,000 suspended on the condition that the Respondent complies with all terms and conditions of the Order to the reasonable satisfaction of ADEC. For purposes of this Order, \$121,000 represents economic savings realized by the Respondent in not complying with the requirements for which the violations were alleged; and \$29,000 represents the "gravity component" designed to deter future noncompliance;
- b. the Respondent agrees to pay the State of Alaska the unsuspended portion of the damages and penalties, \$150,000, within thirty days of the effective date of the Order;
- c. the Respondent agrees to pay the State of Alaska the suspended portion of the damages and penalties within seven calendar days after failing to submit any document or make any payment by the deadlines set forth in the Order, or after receiving notice of termination if the Order is

terminated pursuant to the provisions of paragraph 43(a) or 43(b) of this Order;

d. all payments under this section shall be made payable to the State of Alaska, Department of Environmental Conservation, shall include the number of the Order, and shall be directed to the Attention of: Cost Recovery Unit, SPAR Director's Office, Alaska Department of Environmental Conservation, 410 Willoughby Ave., Suite 105, Juneau, Alaska 99801-1795.

31. If any payment required by paragraph 30 of the Order is not made, or if any negotiable instrument presented as payment is not honored, ADEC may file a civil action to collect the amount due under the Order, plus interest, attorney's fees, and costs. In any collection action, the validity, amount, and appropriateness of damages and penalties is not subject to review.

VIII. RESERVATION OF RIGHTS

32. The requirements, duties, and obligations set forth in the Order are in addition to any requirements, duties, or obligations contained in any permit or plan approval which ADEC has issued or may issue to the Respondent and are in addition to any requirements, duties, or obligations imposed by State, local, or federal law. Other than as expressly provided herein, the Order does not relieve the Respondent from the duty to comply with requirements contained in any such permit or plan approval or with any State, local, or federal law.

33. ADEC expressly reserves the right to initiate administrative or legal proceedings relating to any violation not expressly described in Counts I-IV of Section III of the Order. In addition, ADEC expressly reserves the right to initiate administrative or legal proceedings and to seek additional civil assessments or seek injunctive relief for violations described in the Order if the Respondent does not comply with the provisions set forth herein to the reasonable satisfaction of ADEC or if, in ADEC's reasonable opinion, subsequently discovered events or conditions constitute an immediate threat to public health, public safety, or the environment, regardless of whether ADEC may have been able to discover the event or condition prior to entering into the Order. In the event that ADEC seeks civil assessments for violations described in the Order, amounts required to be paid under paragraph 30 of the Order may offset any subsequent assessments for those violations, but in no event shall a refund of any

portion of the penalties and damages assessed in this Order be required.

34. In signing the Order, the Respondent and ADEC do not admit, and reserve the right to controvert in any subsequent proceedings, other than for enforcement of the Order, the validity of, or responsibility for, any of the factual or legal determinations made herein.

IX. COVENANT NOT TO SUE

35. Subject to the provisions of Section VIII (Reservation of Rights), and provided the Respondent complies with the terms of the Order to the reasonable satisfaction of ADEC, ADEC shall not institute any further action against the Respondent for the violations alleged in Counts I-IV of Section III of the Order. However, nothing herein shall be construed as limiting ADEC's right to seek damages, penalties, and fines for violation of the terms and conditions of the Order.

36. The Respondent acknowledges and agrees that the Order constitutes a lawful order of ADEC for the purposes of AS 46.03.760, AS 46.03.765, AS 46.03.790, AS 46.03.850, 18 AAC 95.160 and for all other purposes. The Respondent shall not institute any action challenging the validity of the Order or the authority of ADEC to enforce the Order. The Respondent shall not controvert or challenge, in any subsequent proceedings initiated by the State of Alaska, the validity of the Order or the authority of ADEC to issue and enforce the Order.

37. The Respondent acknowledges that, by executing the Order, with regard to violations alleged in Counts I-IV of Section III of the Order, it is waiving the rights and procedures that would otherwise protect it in any formal administrative adjudicatory proceeding or any civil action in a court of law including the right to the filing of a notice of intent, to present evidence and witnesses on its behalf, to cross-examine ADEC's witnesses, to a jury trial, and to administrative and judicial review. The Respondent acknowledges that it is knowingly and voluntarily waiving these rights.

X. DISPUTE RESOLUTION

38. The parties agree to make reasonable efforts to informally resolve at the staff level all disputes that may arise in connection with this Order. If any dispute is still unable to be resolved, the Respondent may make a written request for the ADEC Commissioner or the Commissioner's delegate to resolve the dispute. The pendency of any dispute pursuant to this

paragraph shall not affect Respondent's responsibility for timely performance of the requirements of the Order. The Commissioner or the Commissioner's delegate will issue a final determination in writing. The written decision will be final for purposes of judicial review pursuant to Alaska Rule of Appellate Procedure 602(a)(2). The determination of the Commissioner or the Commissioner's delegate will remain in effect pending resolution of any judicial appeal unless a stay is sought and granted by the court on appeal.

XI. REPORTING

39. BPXA will submit monthly reports to ADEC that summarize activities undertaken under this Order. Either BPXA or ADEC may request a meeting at any time to discuss issues associated with this Order, and the party receiving such a request shall make itself available as promptly as practicable.

XII. JURISDICTION AND VENUE

40. Any judicial action brought by either party to enforce or adjudicate any provision of the Order shall be brought in the Superior Court for the State of Alaska, Third Judicial District at Anchorage.

XIII. EFFECTIVE DATE

41. The effective date of the Order shall be the date of the last signature when the Order is signed by authorized representatives of the BPXA, ADEC and the Alaska Attorney General's Office.

XIV. SUCCESSORS

42. The Order shall be binding upon the Respondent, its agents, successors, and assigns (including any lessee or grantee of the FACILITY), and upon all persons, contractors and consultants acting on behalf of the Respondent. The Respondent shall incorporate a copy of the Order into any conveyance of its interest in the FACILITY and into any lease or management agreement, and shall require in any conveyance that the grantee or lessee shall comply with all of the requirements of the Order.

XV. TERMINATION

43. The Order shall terminate on the first to occur of the following:
- a. the day after the Respondent misses a deadline imposed under paragraph 23, unless the delay is excused pursuant to paragraph 27;

- b. the day after ADEC notifies the Respondent that ADEC is terminating the Order due to the Respondent's failure to comply with any of the provisions set forth herein to the reasonable satisfaction of ADEC;
- c. the day after ADEC issues a voluntary written termination of the Order; ADEC will terminate the Order upon request if Respondent establishes to ADEC's satisfaction that it has established compliance for all of the issues outlined in Counts I-IV of Section III of the Order and has complied with the provisions of this Order.

DATED: 5/29/02

DEPARTMENT OF ENVIRONMENTAL
CONSERVATION

By: *Jeff Mach*
Jeff Mach
Oil and Gas Coordinator

DATED: 30 May 2002

BRUCE M. BOTELHO
ATTORNEY GENERAL

By: *Camren Leonard*
Camren Leonard
Assistant Attorney General

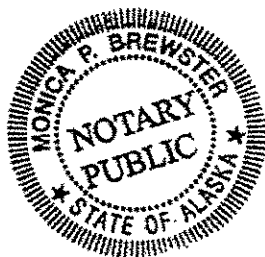
DATED: 05-14-02

BP EXPLORATION (ALASKA) INC.

By: *Jack M. Fritts*
Jack M. Fritts *Operations*
Greater Prudhoe Bay Unit Field Manager

I, *JACK M. Fritts*, hereby certify that I hold the position of Greater Prudhoe Bay Operations Manager and that I am a responsible official for the Respondent's FACILITY and that I have the authority to enter into agreements on behalf of the Respondent and the FACILITY and to otherwise legally bind the Respondent and the FACILITY. I hereby acknowledge that I have freely and voluntarily entered into this agreement with the State of Alaska on behalf of the Respondent.

SUBSCRIBED AND SWORN to before me this 14th day of May, 2002.



Monica P. Brewster
Notary Public, State of Alaska
My commission expires: _____

My Commission Expires
November 9, 2004